

Approved _____

Date

3/1/90

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE

The meeting was called to order by SENATOR RICHARD L. BOND at _____
Chairperson

9:00 a.m./~~xxxx~~ p.m. on TUESDAY, FEBRUARY 27, 1990 in room 529-S of the Capitol.

~~All~~ members ~~were~~ present ~~except~~

Senators Anderson, Karr, Kerr, Moran, Parrish, Salisbury, Strick and Yost.

Committee staff present:

Bill Edds, Revisors Office
Bill Wolff, Research Department
Louise Bobo, Committee Secretary

Conferees appearing before the committee:

Senator Jim Francisco, Kansas Senate
Bill Curtis, Kansas Association of School Boards
John Tolbert, Kansas Association of Counties
Chuck Stuart, United School Administrators
Craig Grant, KS-National Education Association

Chairman Bond called the meeting to order at 9:17 a.m.

SB 605 -- Credit life insurance: real estate mortgage indebtedness.

The Chairman recognized Senator Jim Francisco who addressed the committee in support of the above-mentioned bill. Senator Francisco explained that this proposed law was needed because, under present Kansas law, a insurance company could take up to two years to pay a claim and, in the meantime, the beneficiary could lose his/her home. He further explained that the reason for the delay in payment was because the mortgage companies would change insurance companies every two years or so and thus the insurance companies would be able to maintain that the subscriber was a "recent" client and the company needed additional information. (Attachment 1)

During the discussion that followed, a committee member inquired why the creditor chose to switch policies. Senator Francisco replied that they make more money on the policies the first year or two.

Staff proposed an amendment to the bill, approved by the Insurance Department, to change the language in Section 1 of the bill which the Insurance Department felt would take care of technical problems. (Attachment 2)

Senator Karr made a motion to amend Section 1 of SB 605 as advised by Staff. Senator Salisbury seconded the motion. The motion carried.

The motion was made by Senator Karr to pass the bill out favorably as amended. This motion was seconded by Senator Parrish. The motion carried.

SB 587 - Amending municipal group-funded pool act.

Bill Curtis, Kansas Association of School Boards, spoke before the committee in support of this measure. He informed the committee that an error was made in the printing of the bill and that lines 24 and 25 on page 1 of the bill should be stricken. Mr. Curtis continued by telling the committee that this bill would allow municipalities to form group-funded pools for health insurance--such authority is currently prohibited by law. Mr. Curtis stressed that KASB was working closely with the Insurance Department in developing this concept. He said that passage of this bill would permit them the opportunity to offer alternative health insurance coverage and, hopefully, reduce the cost. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON FINANCIAL INSTITUTIONS AND INSURANCE,

room 529-S, Statehouse, at 9:00 a.m./~~pm~~ on TUESDAY, FEBRUARY 27, 1990.

John Tolbert, Kansas Association of Counties, addressed the committee in support of this proposal. Mr. Tolbert told this committee that, while insurance pooling may not be the answer to reducing the escalating cost of health insurance, his organization needed to have the statutory ability to make that determination. (Attachment 4)

Chuck Stuart, United School Administrators, informed the committee that his organization felt strongly that SB 587 would offer an opportunity to do something about the skyrocketing health care costs in Kansas. (Attachment 5)

Craig Grant, KS-National Education Association, rose in opposition to SB 587. He stated that his organization was against this bill in its present form primarily because it allows for no oversight by the Insurance Commissioner. He suggested that more information was needed and that an interim study was warranted. (Attachment 6)

Discussion followed with committee members concerned about the lack of oversight by the Department. Ron Todd, Assistant Commissioner, informed the committee that they were working on an amendment to the bill which would (1) place some control over these pools as is currently placed on municipal self-funded pools, and (2) raise the current cap of \$250,000.

Senator Yost made a motion to amend SB 587 as suggested by Mr. Curtis. Senator Karr seconded the motion. The motion carried.

Senator Karr made a motion to refer SB 587 to Ways and Means Committee and request that it be rereferred to Financial Institutions and Insurance. Senator Kerr seconded this motion. The motion passed.

Minutes of the Monday, February 26, 1990, meeting was approved as written on a motion by Senator Salisbury with Senator Yost seconding. The motion carried.

Chairman Bond adjourned the meeting at 10:05 a.m.

MONTHLY COST TO PROTECT YOUR HOME

(The cost does not increase because you grow older)

Age	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69
One Insured	\$1.08	\$1.32	\$1.68	\$2.04	\$3.00	\$4.92	\$6.96	\$9.36	\$16.20	\$23.64
Two Insureds	\$1.62	\$1.98	\$2.52	\$3.06	\$4.50	\$7.38	\$10.44	\$14.04	\$24.30	\$35.46



Call anytime (toll-free) 800-328-9343
MORTGAGE LIFE INSURANCE APPLICATION

0071465902

1-888-328-9442

This application is for decreasing term life insurance in the initial amount of \$5,863.00
The term of insurance is 14 YRS and the beneficiary is Imperial Savings Association and/or its assigns.
Proceeds will be used for repayment of loan no. 0320036915

To be completed by insurance company.

Richard Dane Fry
1226 Arthur
Augusta KS 67010-1820

DISCLOSURE
STATEMENT
SENT

Effective Date 12-9-88
Premium \$14.04/mo
No. 411305-V-7002

Apvd 12-9-88 AR

Apvd 12-9-88 P AR

FIRST APPLICANT				SECOND APPLICANT			
DATE OF BIRTH	HEIGHT	WEIGHT	PHONE NUMBER	DATE OF BIRTH	HEIGHT	WEIGHT	PHONE NUMBER
4-7-30	5-11	200	(316) 775-3453	3-2-30	5-6	150	(316) 775-3453
OCCUPATION				OCCUPATION			
Mechanic				HSE wife			

- During the past 3 years, have you for any reason consulted a doctor or been hospitalized?
- Have you ever been treated for or advised that you had any of the following: heart, liver, lung, nervous or kidney disorder, high blood pressure, cancer or tumor, diabetes, drug abuse, including alcohol?

FIRST APPLICANT SECOND APPLICANT
 Yes* No Yes* No

0071455996

Yes* No Yes* No

0071455997

*If yes, give details: who was treated, when, why, and names and addresses of doctors or hospitals, the diagnosis, if known, and the treatment (more space on back side.)

Answers provided on this application are representations of each person signing below. These answers are true and complete to the best of my knowledge and belief. To determine my insurability, or for claims purposes, I authorize any medical practitioner or institution, insurance company or the Medical Information Bureau to give any information about me or my physical or mental health, including drug or alcohol abuse to underwriting, claims, medical or other representatives of The Minnesota Mutual Life Insurance Co., St. Paul, MN 55101-2098. This authorization is valid for 30 months. I've read this and the Consumer Privacy Notice (on back) and understand I can have copies. It is understood that The Company shall incur no liability until this application is approved by The Company and the first premium is paid while my health and other conditions affecting my insurability are as stated on this application. Add the premium to my mortgage payment.

FIRST APPLICANT'S SIGNATURE X Richard D Fry	DATE 11/27/88 mo./day/year	SECOND APPLICANT'S SIGNATURE X Betty Fry	DATE 11/27/88 mo./day/year	David M Weck Agent
--	----------------------------------	---	----------------------------------	-----------------------

87-15718V

U88

Attachment 1
7I & I
2/27/90


Read Your Policy Carefully

This is a legal contract between you and us. We promise to pay the death benefit to the beneficiary, subject to the provisions of this policy, when we receive proof of your death which is satisfactory to us. We make this promise and issue this policy in consideration of the application for this policy and the payment of the premiums.

You are a member of The Minnesota Mutual Life Insurance Company. Our annual meetings are held at our home office on the first Tuesday in March of each year at three o'clock in the afternoon.



Secretary

Notice of your right to examine this policy for 30 days

It is important to us that you are satisfied with this policy and that it meets your insurance goals. If you are not satisfied, you may return the policy to us within 30 days of its receipt, and you will receive a full refund of any premiums you have paid within 10 days after we receive your notice of cancellation.

Signed for The Minnesota Mutual Life Insurance Company at St. Paul, Minnesota on the policy date.



President

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DECREASING TERM LIFE INSURANCE FOR TERMS STATED ON APPLICATION • MONTHLY PREMIUMS

surviving insured as of the effective date of the joint insurance.

What happens in the event of the simultaneous death of joint insureds?

If the joint insureds should die on the same date and we are not furnished with evidence satisfactory to us that the two insureds died other than simultaneously, then the insurance benefits will be paid as though the older of the two insureds had died first and the younger died later.

What if your loan is reamortized?

The term of insurance under this policy will be automatically extended to the new scheduled maturity date of your loan; provided the amount of your indebtedness is not increased and it remains repayable in substantially equal monthly installments.

What if your loan is refinanced?

Subject to all the requirements of this policy, you may reapply for coverage on your new loan.

If you do not reapply or if you apply and are rejected, you may, at your option, retain the coverage provided by this policy on the refinanced loan. The amount of insurance on a refinanced loan shall be calculated by determining the ratio that the amount of insurance on the old loan on the date of refinancing bears to the amount of the refinanced loan. This ratio will then be applied to the unpaid balance of the refinanced loan on the date of your death to determine the amount of the death benefit. The term of insurance, premium payments, and irrevocable beneficiary will remain the same as shown on the application attached to this policy. All proceeds will be payable to the irrevocable beneficiary to reduce or extinguish your indebtedness under the new mortgage loan. You may request that this policy be reissued to reflect your new loan number. In all other respects your coverage shall remain unchanged, subject to the provisions of this policy regarding the early pay-off of your loan. As a result, the amount of your life insurance may be substantially different than the amount of indebtedness you owe under your new loan. A refinanced loan will be considered to be any indebtedness that is increased in amount as part of the modification of the terms of the loan.

Premiums

How often are premiums payable?

Premiums are due monthly on the first day of the month. Each monthly premium will pay for the insurance then in effect under this policy for a period of one month. All premiums after the first shall be payable in advance either at our home office or to our agent.

What is the amount of your premium?

The amount of your premium is shown on your application. We retain the right to increase or decrease the premium rate:

- (1) on the first policy anniversary; and
- (2) on any premium due date thereafter, provided we similarly change the premium on all policies in your class.

Before we can exercise our right to change the premium rate in effect, we must give you 60 days prior written notice. We will not exercise our right to increase the monthly premium rate until at least 12 months have elapsed since the last increase. In no event will the premium rate charged exceed the premium rates shown in the premium schedules on page 5 and 6 of this policy.

How are the premiums calculated?

The monthly premium for each \$1,000 of insurance on the life of the single insured is based on the insured's age on the policy date and the term of the insurance. The monthly premium for each \$1,000 of insurance on the lives of joint insureds is based on the age of the oldest joint insured on the policy date and the term of the insurance.

Is there a grace period?

This policy has a 31-day grace period. If a premium is not paid on or before the date it is due, it may be paid during the following 31-day period. The premium payment, however, must be received in our home office within the 31-day grace period. Your policy will continue in force during this 31-day period. The grace period does not apply to the first premium payment.

Will premiums be reduced if your loan is prepaid?

If an accumulated prepayment of at least 5% of the loan balance initially insured is made, all remaining premium payments will, on request, be reduced by a corresponding percentage.

Will any unearned premium be refunded?

Yes, if your coverage terminates prior to the scheduled maturity date of your loan, we will refund any unearned premium to you.

Payment of Proceeds

When will the policy proceeds be paid?

The proceeds of this policy will be payable if we receive proof satisfactory to us that you died while this policy was in force. The proceeds will be paid in a single sum. All payments by us are payable at our home office. Proof of any claim under this policy must be submitted in writing to our home office.

Write to Imperial & request a form
for the return.

IMPERIAL CORPORATION OF AMERICA
9275 SKY PARK COURT
P O BOX 85038
SAN DIEGO CA 92138-9132

**MONTHLY PREMIUM PER \$1,000 OF INITIAL INSURANCE AMOUNT
SINGLE LIFE**

Term of Insurance	Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69
5	\$0.18	\$0.22	\$0.28	\$0.34	\$0.50	\$0.82	\$1.16	\$1.56	\$2.70	\$3.94
6	0.19	0.23	0.29	0.35	0.52	0.85	1.21	1.64	2.88	4.12
7	0.19	0.24	0.30	0.37	0.54	0.88	1.26	1.72	3.06	4.30
8	0.20	0.24	0.31	0.38	0.56	0.91	1.31	1.81	3.24	4.48
9	0.20	0.25	0.32	0.39	0.58	0.95	1.36	1.89	3.42	4.66
10	0.21	0.26	0.33	0.41	0.60	0.98	1.41	1.97	3.60	4.84
11	0.22	0.27	0.34	0.42	0.62	1.01	1.46	2.05	3.78	5.01
12	0.22	0.28	0.35	0.43	0.63	1.04	1.51	2.13	3.96	5.19
13	0.23	0.28	0.36	0.44	0.65	1.07	1.56	2.22	4.14	5.37
14	0.23	0.29	0.37	0.46	0.67	1.10	1.61	2.30	4.32	5.55
15	0.24	0.30	0.38	0.47	0.69	1.14	1.66	2.38	4.50	5.73
16	0.25	0.31	0.39	0.48	0.71	1.17	1.71	2.46	4.68	5.91
17	0.25	0.31	0.40	0.50	0.73	1.20	1.77	2.55	4.86	6.09
18	0.26	0.32	0.41	0.51	0.75	1.23	1.82	2.63	5.04	6.27
19	0.26	0.33	0.43	0.52	0.77	1.26	1.87	2.71	5.22	6.45
20	0.27	0.34	0.44	0.54	0.79	1.29	1.92	2.79	5.40	6.63
21	0.28	0.35	0.45	0.55	0.81	1.32	1.97	2.87	5.40	6.81
22	0.28	0.35	0.46	0.56	0.83	1.36	2.02	2.96		6.98
23	0.29	0.36	0.47	0.58	0.85	1.39	2.07	3.04		7.16
24	0.29	0.37	0.48	0.59	0.87	1.42	2.12	3.12		7.34
25	0.30	0.38	0.49	0.60	0.88	1.45	2.17			7.52
26	0.31	0.39	0.50	0.61	0.90	1.48	2.22			7.70
27	0.31	0.39	0.51	0.63	0.92	1.51	2.27			7.88
28	0.32	0.40	0.52	0.64	0.94	1.55	2.32			
29	0.32	0.41	0.53	0.65	0.96	1.58				
30	0.33	0.42	0.54	0.67	0.98	1.61				
31	0.34	0.42	0.55	0.68	1.00	1.64				
32	0.34	0.43	0.56							
33	0.35	0.44	0.56							
34	0.35	0.44								
35	0.36	0.44								
36	0.36	0.44								
37	0.36									
38	0.36									
39	0.36									
40	0.36									

September 21, 1989

Group Division Claims

RICHARD D. FRY
1226 ARTHUR
AUGUSTA, KS 67010

S.D.

Claim Number: 0404998
Policy Number: 0411305 702

Artibe

REF:

Dear Mr. Fry,

We have received notice of the death of your wife.
Please accept our condolences at the loss of a loved one.

We have begun processing the life insurance claim. Because of the recent effective date of this insurance, it is necessary for us to secure additional information. Equifax, a nationwide independent company, will be obtaining this information for us. The Equifax representative will be contacting you and will have proper identification. We ask your cooperation with our inquiry so that we may expedite the handling of this claim.

If you have any questions regarding this claim or our inquiry, please call us.

Again, please accept our condolences.

Sincerely,

R E Commodore
GROUP DIVISION CLAIMS

Copies furnished to:

EQ - 1 - 09 - 20 - 89 - C1 - 000071455997 - 01 - D - 014 - ML06019 - 890921 - CLAIMREM - 890920 - 121127

F. 27190 Rev. 9-88

1-6

We will pay interest on single sum death proceeds from the date of your death until the date of payment. Interest will be at an annual rate determined by us, but never less than 4 percent per year compounded annually.

Beneficiary

To whom will the death proceeds be paid?

We will pay the death proceeds of this policy to the irrevocable beneficiary named in your application. The proceeds will be applied to reduce or extinguish your debt with the irrevocable beneficiary.

Can you name a contingent beneficiary?

Yes, you can file a written request with us to name a contingent beneficiary. Your written request will not be effective until it is recorded in our home office records. After it has been so recorded, it will take effect as of the date you signed the request. However, if you die before the request has been so recorded, the request will not be effective as to those death proceeds we have paid before your request was recorded in our home office records.

What if the proceeds exceed the amount owed to the irrevocable beneficiary?

If no contingent beneficiary has been named, we will pay the death proceeds to your living relatives who survive you according to the following order of priority:

- (1) Wife or husband; or if none
- (2) Children in equal shares if more than one; or if none
- (3) Father and mother, in equal shares if both are living, otherwise to the survivor.

If none of the above relatives are living at your death, the death proceeds will be paid to the executors or administrators of your estate. "Children" means your lawful bodily and legally adopted children of the first generation.

Termination

When will this policy terminate?

This policy will terminate on the earliest of:

- (1) the date any premium due for this policy remains unpaid at the end of the grace period; or

- (2) the expiration of the term of insurance for this policy; or
- (3) the date we receive your request to terminate this policy; or
- (4) the date of your death.

Additional Information

Will your policy receive dividends?

Each year we determine if your policy will share in our divisible surplus. We call your share a dividend and credit it to you on the policy anniversary date. Dividends will be applied to pay premiums for this policy unless you request that they be paid in cash. Due to the relatively low premiums charged for this policy we expect the dividends, if any, for this policy to be extremely modest.

Can you assign this policy?

Yes, you may assign this policy subject to interest of the irrevocable beneficiary in this policy. The assignment must be in writing and filed at our home office. We assume no responsibility for the validity or effect of any assignment of this policy or of any interest in it. Any proceeds which become payable to an assignee will be payable in a single sum. Any claim made by an assignee will be subject to proof of the assignee's interest and the extent of the assignment.

What if your age has been misstated?

The amount of proceeds payable under this policy will be that amount which the premiums paid would have purchased based upon your correct age.

When does your policy become incontestable?

After this policy has been in force during your lifetime for two years from the policy issue date, we cannot contest this policy, except for the nonpayment of premiums.

Is there a suicide exclusion?

If you die by suicide, whether sane or insane, within two years from the policy issue date, our liability will be limited to an amount equal to the premiums paid for this policy.

Does this policy comply with the laws of your state?

Yes, and any provision of this policy which, on the policy issue date, is in conflict with the statutes of the state in which you reside is hereby amended to conform to the minimum requirements of those statutes.

Definitions

When we use the following words this is what we mean:

you, your

The person (or persons, if joint life insurance is effective) named as the proposed insured on the application and who is insured under this policy.

we, our, us

The Minnesota Mutual Life Insurance Company.

application

The application for this insurance which is attached to and made a part of this policy.

policy issue date

The effective date of coverage under this policy as shown on the application and the date from which policy anniversaries, policy years, policy months and premium due dates are determined.

loan

The loan identified on your application by its loan number.

term of insurance

The period of time during which this policy may be kept in force by the timely payment of the premium due. The term of insurance is shown on your application.

proceeds

The amount we will pay under the terms of this policy at your death.

terminate

Your life is no longer insured under this policy.

age

Your age at your last birthday.

General Information

What is your agreement with us?

This policy and the attached application contain the entire contract between you and us. Any statements you made in the application will, in the absence of fraud, be considered representations and not warranties. Also, any statement you made will not be used to void this policy nor defend against a claim under this policy unless the statement is contained in your application.

No change or waiver of any of the provisions of this policy will be valid unless made in writing by us and signed by our president, a vice president, our secretary or an assistant secretary. No agent or other person has the authority to change or waive any provision of your policy.

How do you exercise your rights under this policy?

With the written consent of the irrevocable beneficiary you can exercise all the rights under this policy during your lifetime by making written request to us. This includes the right to change the ownership. If your policy is assigned, we will also require the written consent of the assignee.

Death Benefit

What is the amount of the death benefit?

The death benefit shall be calculated by determining from your application the ratio that the initial amount of your insurance bears to the initial amount of your loan. This ratio will then be applied to the unpaid balance of your loan on the date of your death to determine the amount of the death benefit. In no event, will the initial amount of your insurance exceed the initial amount of your loan.

The unpaid balance on the date of your death shall be determined according to the amortization schedule in effect for your loan on the date of your death. Any portion of the unpaid balance on the date of your death that represents defaults in scheduled payments of either interest or principal; any late charges; real estate taxes; insurance premiums; or penalties shall not be included in the unpaid balance for the purpose of determining the amount of the death benefit.

What if you pay off your loan early?

You may continue this policy if you pay your loan off before the expiration of the term of insurance shown on your application. In that event, this policy may be continued for the remaining term of insurance by the continued payment of all premiums as they fall due. The death benefit shall be an amount equal to the amount that would remain unpaid (on the date of your death) under an amortization schedule based on the initial date, term, and amount of your loan, with a 6% annual nominal interest rate.

What happens upon the death of a joint insured?

Subject to the terms of this policy, the death benefit for the first joint insured to die will be paid. The insurance on the life of the surviving joint insured will be automatically continued as an individual policy of decreasing term insurance. The initial amount of insurance provided by the individual policy shall be equal to the amount of insurance in force under this policy on the date of death of the first joint insured to die. The amount of insurance under the individual policy shall decrease over a term that corresponds with the remaining scheduled repayment period of your loan. The unearned premium, if any, for the joint life insurance will be applied to the first premium for the individual decreasing term policy. The premium rate for the individual policy shall be based on the age of the

Whenever any creditor substitutes or replaces a policy of life insurance covering debtors of a creditor in exchange for charges collected from the insured debtors, the insurance company issuing the replacement or substitute policy shall not be entitled to contest the payment of benefits in the event of the debtor's death to any greater extent than the replaced life insurance would have been contestable by the insurer providing the replaced coverage had a replacement not occurred. This prohibition shall not apply to any amount of insurance provided by the replacement policy which exceeds the amount of insurance provided by the replaced policy.

Attachment 2
FI & I
2/27/90

This regulation does not apply to policies covering "debtors
a creditor"

40-2-12
page 5

(A) Each notice states that the policy or a separate written notice shall state that the applicant has a right to an unconditional refund of all premiums paid, within 20 days after delivery of the policy; and

(B) notice to the existing insurer is sent within three working days of the date its policy is issued;

(5) maintain copies of each sales proposal used, proof of receipt by the applicant of the "notice to applicants regarding replacement", and the applicant's signed statement with respect to replacement, in its home office for at least three years or until the conclusion of the next succeeding regular examination by the insurance department of its state of domicile, whichever is later. Each insurer receiving notice that its existing insurance may be replaced shall maintain a copy of the notice, indexed by insurer, for three years after receipt or until the conclusion of the next regular examination conducted by the insurance department of its state of domicile, whichever is later; and

(6) either by inclusion in the replacement policy or by a rider attached thereto; provide that the new life insurance issued by the replacing insurer will not be contestable by it, in the event of the insured's death, to any greater extent than the replaced life insurance would have been contestable by the insurer providing the replaced coverage had a replacement not occurred. This subsection shall not apply to any amount of insurance provided by the replacement policy which exceeds the amount of insurance provided by the replaced policy.

(g) With the exception of the reference to a comparative information form, the forms set forth in exhibits A, B, and C of the national

ATTORNEY GENERAL

FEB 2 1989

DEPT. OF ADMINISTRATION
DEC 21 1988
APPROVED BY FDL

2-2



Testimony on SB 587
before the
Senate Financial Institutions and Insurance Committee
by

Bill Curtis, Assistant Executive Director
Kansas Association of School Boards

February 27, 1990

Mr. Chairman and members of the Committee, we appreciate the opportunity to testify today on behalf of the 302 members of the Kansas Association of School Boards. SB 587 was introduced at the request of KASB and would permit municipalities to form group-funded pools for health insurance. Current law restricts that authority.

We believe there was an error in the printing of the bill and would suggest that the sentence found within the brackets on lines 24 and 25 should be stricken. It is the intent of the bill to permit pools for health insurance. Life insurance would be offered only as a part of the health insurance policy.

During the 1987 session of the Kansas Legislature, KASB worked cooperatively with the House Insurance Committee to draft the language found in K.S.A. 120-2616 through 12-2629. That act is known as the Kansas Municipal Group-Funded Pool Act. As a compromise, health, life and accident insurance was excluded. Our members now find that the compromise was not a good idea. With the dramatic increase in health insurance premiums, school districts are looking for alternatives to the traditional market for health insurance. We know of at least one

*Attachment 3
FI + I
2/27/90*

school district now paying in excess of \$840 per month for a family plan.

As far as we know, KASB is the only group-funded pool operating in Kansas under the authority granted in the above cited statute. The pool deals only with workers' compensation. At present, 111 school districts participate and the number of members continues to grow. KASB has worked cooperatively with the Kansas Department of Insurance to adhere to both the letter and the spirit of the statutes. Striking the exclusion is not a panacea to the problems of health insurance premiums. But it is an alternative and can certainly deal with the availability problem. It may not be the answer to affordability but the marketplace will answer that question. While we may be neophytes in the field of insurance, we believe we know the business of school districts as well as anyone. There are some steps that can be taken to at least slow down the dramatic increases in premiums that are within the expertise of KASB. We ask only for the opportunity to try.

We appreciate the time and attention of the Committee. We urge your favorable consideration of SB 587.

SENATE BILL No. 587

By Committee on Financial Institutions and Insurance

2-5

9 AN ACT amending the Kansas municipal group-funded pool act;
10 concerning purposes for which municipalities may pool their li-
11 abilities; amending K.S.A. 1989 Supp. 12-2617 and 12-2618 and
12 repealing the existing sections.
13

14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K.S.A. 1989 Supp. 12-2617 is hereby amended to read
16 as follows: 12-2617. Five or more municipalities as defined in K.S.A.
17 75-6102, and amendments thereto, may enter into agreements to
18 pool their liabilities for Kansas fire, marine, inland marine and allied
19 lines, as defined in K.S.A. 40-901, and amendments thereto, ~~and~~
20 casualty, surety and fidelity lines as defined in K.S.A. 40-1102, and
21 amendments thereto, including workers' compensation and employ-
22 ers' liability, *group sickness and accidents, as defined in K.S.A. 40-*
23 *2209, and amendments thereto, and life insurance, as regulated in*
24 *K.S.A. 40-433, and amendments thereto.* ~~Such pools shall not include~~
25 ~~accident, health or life insurance.~~ Such arrangements shall be known
26 as group-funded pools, which shall not be deemed to be insurance
27 or insurance companies and shall not be subject to the provisions
28 of chapter 40 of the Kansas Statutes Annotated, except as otherwise
29 provided herein.

30 Sec. 2. K.S.A. 1989 Supp. 12-2618 is hereby amended to read
31 as follows: 12-2618. Application for a certificate of authority to operate
32 a pool shall be made to the commissioner of insurance not less than
33 30 days prior to the proposed inception date of the pool. The ap-
34 plication shall include the following:

35 (a) A copy of the bylaws of the proposed pool, a copy of the
36 articles of incorporation, if any, and a copy of all agreements and
37 rules of the proposed pool. If any of the bylaws, articles of incor-
38 poration, agreements or rules are changed, the pool shall notify the
39 commissioner within 30 days after such change.

40 (b) Designation of the initial board of trustees and administrator.
41 When there is a change in the membership of the board of trustees
42 or change of administrator, the pool shall notify the commissioner
43 within 30 days after such change.



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Executive Director
John T. Torbert

February 27, 1990

TESTIMONY

To: Senate Financial Institutions and Insurance Committee

From: John T. Torbert
Executive Director

Subject: SB 587 (Insurance Pooling)

The Kansas Association of Counties is in support of SB 587. Our convention adopted platform statement is as follows:

"The current statutory prohibition on the pooling of health and accident risks should be repealed. Although a pool may not initially lower premiums in these areas, it would provide an alternative vehicle for the provision of these services and inject some much needed competition into the marketplace."

The one complaint that I hear most frequently from county commissioners is the escalating cost of health insurance. I have heard reports of counties where the family health premium is in excess of \$600 per month. All of you on this committee are aware on what has happened to these costs. The worst part of it is that there does not appear to be any end in sight. There is truly a hopelessness that the cycle will ever change. Further, there are very few (if any) alternatives available to a county that wishes to find a different way of handling their health insurance risks.

We don't know if this legislation will provide the answer. It may well be that a health insurance pool would not be feasible in the current environment. But, we need to have the statutory ability to make that determination. Experience has shown that the mere discussion of insurance pooling can do miraculous things in the short term in the ability to reduce premium costs. In the long term, the ability to inject some competition into the marketplace with an alternative mechanism of transferring risk cannot hurt and probably will help.

We urge your favorable consideration of this legislation.

TSJHLHIN

*Attachment 4
FI & I
2/27/90*



SB 587

Testimony present before the Senate Committee on Financial Institutions and Insurance
by Charles L. "Chuck" Stuart, Legislative Liaison
United School administrators of Kansas

Feb. 27, 1990

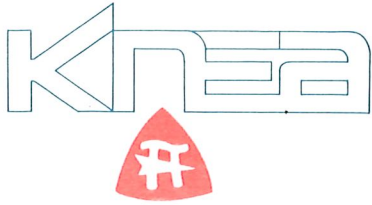
Mister Chairman and members of the committee, I am Chuck Stuart representing United Schools Administrators of Kansas. USA is very supportive of SB 587. The ability to plan and possibly implement regional health insurance pools provides one opportunity to do something about the skyrocketing health care costs in many school districts in Kansas.

In some school districts in our state the premium for a family health care insurance policy is approaching \$600 per month. Something must be done quickly or a growing number of school employees will be unable to afford health care coverage.

SB 587 provides one possible solution which can be implemented now. USA urges the committee to recommend the bill favorably for passage.

SB587/gwh

Attachment 5
FI & I
2/27/90



Craig Grant Testimony Before The
Senate Financial Institutions & Insurance Committee
Tuesday, February 27, 1990

Thank you, Mr. Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate this opportunity to visit with the committee about SB 587.

Teachers in this state have several concerns about expansion of group-funded pools into the group health insurance area. Two years ago we had little problem with the bill to provide pools for the other insurances listed. However, we are now expanding that opportunity into an extremely important insurance, the health insurance field.

Teachers are concerned about increasing cost associated with health insurance. More important to our teachers, however, is have a reliable and stable health insurance they can count on if they need it. Making these pool arrangements not subject to any provisions whereby the insurance commissioner can oversee these plans worries us greatly. We assume that chapter 40 of the statutes was written to have some consumer protection for the buyers of the insurance. SB 587 would eliminate virtually all oversight by the department. We are not sure that is desirable.

Kansas-NEA believes that more study is needed on this entire issue before we take that next step into group-funded health insurance pools. Certainly an interim study is warranted. At the present time, Kansas-NEA opposes the provisions of SB 587. Thank you for listening to the concerns of our 24,000 members.

Attachment 6
FI & I
2/27/90